

# Oil Market Review in Japan No. 36/2018

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## Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the December 6-12 week moved within a range between \$51.00 per barrel and \$52.61/bbl.

On December 13, the January contract staged a sharp rebound as a reported decline in crude oil inventories at the WTI delivery point of Cushing was combined with a monthly IEA (International Energy Agency) report that revised a global oil supply forecast downward for 2019 and indicated a supply shortage in the second half of the year while leaving the 2019 oil demand forecast unchanged. The key contract gained \$1.43/bbl to \$52.58/bbl.

On December 14, the January contract turned down on heavy selling as concerns about the future course of the global economy grew on sluggish Chinese economic indicators and a U.S. stock market decline, with the dollar appreciating against the euro. Baker Hughes reported that the number of operating U.S. oil-drilling rigs dropped by four from a week earlier to 873, exerting little impact on the market. The key contract lost \$1.38/bbl to \$51.20/bbl.

On December 17, the January contract fell further as concerns about the future course of the global economy grew on a weak U.S. economic indicator (the New York manufacturing index) following sluggish Chinese and European indicators given late in the previous week, with market players being conscious of rising U.S. shale oil production. The key contract lost \$1.32/bbl to \$49.88/bbl, slipping below \$50/bbl for the first time in 14 months since October 9, 2017.

On December 18, the January contract took a heavy loss as growing concerns about the future global economy were coupled with rising skepticism about oil producing countries' recent production cut agreement on Russian production's reported rise to a record level in December and with increasing worries about oversupply coming on a U.S. shale oil production increase. The key contract lost \$3.64/bbl to \$46.24/bbl.

On December 19, the key contract rallied for the first time in four trading days as buying came on weekly drops in U.S. crude oil and petroleum products inventories as reported by the EIA (Energy Information Administration), with the dollar depreciating against the euro. The January contract gained \$0.96/bbl to \$47.20/bbl.

The Asian benchmark crude oil of Dubai for February delivery on the Tokyo market moved in a range between \$58.10/bbl and \$60.60/bbl in the December 6-12 week. It closed at \$59.20/bbl on December 13, at \$59.70/bbl on December 14, at \$59.10/bbl on December 17, at \$57.30/bbl on December 18 and at \$55.30/bbl on December 19.

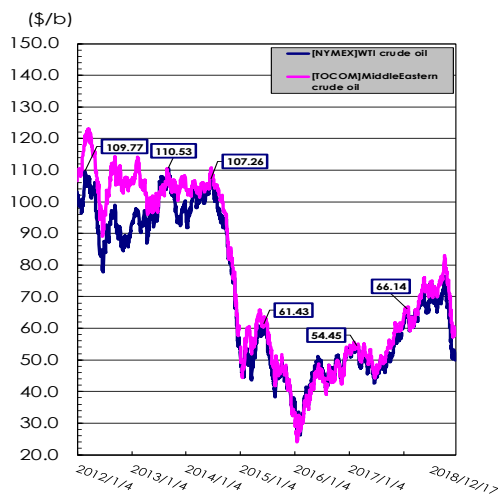
On the foreign exchange market in the December 6-12 week, the dollar moved within a range between 112.52 and 113.54 yen. It changed hands at 113.42 yen in late trading on December 13, at 113.61 yen on December 14, at 113.47 yen on December 17, at 112.79 yen on December 18 and at 112.50 yen on December 19.

According to preliminary 10-day trade statistics released by the Ministry of Finance on December 19, the average crude oil import CIF price in the November 21-30 period stood at 58,657 yen/kl (kiloliter), up 882 yen/kl from the previous 10-day period. In dollars, the price was \$82.05/bbl, up \$0.74/bbl. The average exchange rate was 113.65 yen to the dollar. According to preliminary monthly trade statistics released by the ministry on the same day, the average crude oil import CIF price in November came to 58,101 yen/kl, up 1,879 yen/kl from the previous month. In dollars, the price was \$81.74/bbl, up \$2.57/bbl. The average exchange rate was 113.00 yen to the dollar.

Major Japanese Motouri (petroleum products wholesalers) kept their wholesale prices unchanged or cut them by 1.0 yen/l for gasoline and by 0.5 yen/l for diesel oil and kerosene (heating oil) for the third week of December. Crude oil acquisition cost leveled off as slight crude oil price hikes were offset by the yen's appreciation against the dollar.

Japan's average retail price on December 17 decreased by 1.4 yen/l from a week earlier for gasoline, by 1.2 yen/l for diesel oil and by 19 yen/l for kerosene on an 18-liter tank basis. These prices fell for the eighth straight week. As crude oil cost fell in the second week of December, major Motouri companies lowered their wholesale prices by 1.5-2.0 yen/l from the previous week for gasoline, diesel oil and kerosene.

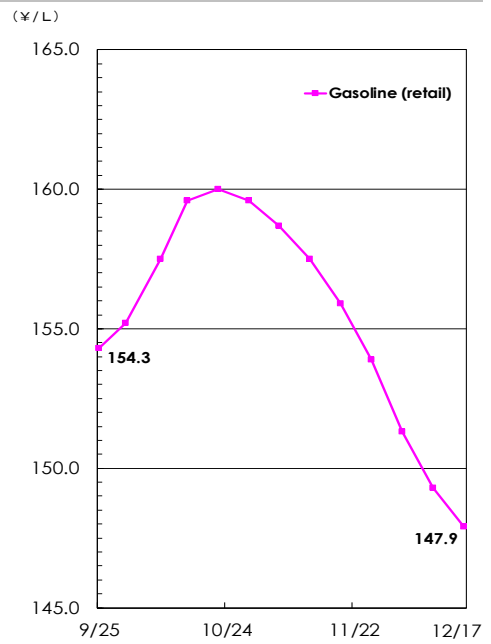
Crude oil		This week		From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	12/9 ~ 12/15	3,530	▼ -57	▼ -
	Topper capacity utilization rate (%)	"	90.1	▼ -1.5	▼ -
	Crude oil inventories (1,000 kl)	12/15	12,613	▼ -1,417	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	12/17	58.52	▼ -1.33	▼ -1.7
	WTI crude oil (NYMEX) (\$/bbl)	12/17	49.88	▼ -1.12	▼ -7.3
	Crude oil import CIF price (\$/bbl)	Late Nov	82.05	▲ 0.74	▲ 24.29
	① Crude oil import CIF price (yen/kl)	"	58,657	▲ 882	▲ 17,407
	② Yen-dollar exchange rate (yen/dollar)	"	113.65	▼ -0.68	▼ -0.12
	TTS exchange rate (yen/dollar)	12/17	114.47	▼ -0.95	▼ -0.71



(Unit: 1,000 kl, yen/l)

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	12/9 ~ 12/15	998 ▲ 32	▲ —	
	Imports	"	n.a.	n.a.	
	Shipments	"	899 ▼ -27	▼ —	
	Exports	"	142 ▲ 39	▲ —	
	Inventories	12/15	1,652 ▼ -43	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/11 ~ 12/17	56.7 ▼ -1.1	▼ -1.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/11 ~ 12/17	53.6 ▲ 0.5	▼ -4.1
		(TOCOM/ Chubu)	12/17	55.6 ▲ 0.1	▼ -1.9
	Retail prices [weekly trend] (published by ANRE)	12/17	147.9 ▼ -1.4	▲ 6.4	

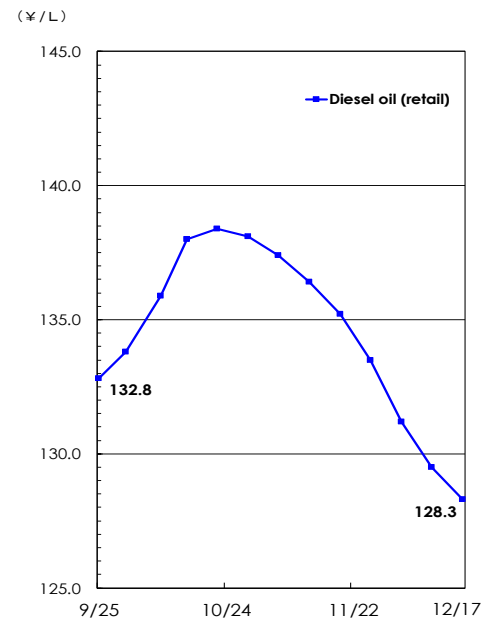
\*Gyoten and futures prices are before tax



(Unit: 1,000 kl, yen/l)

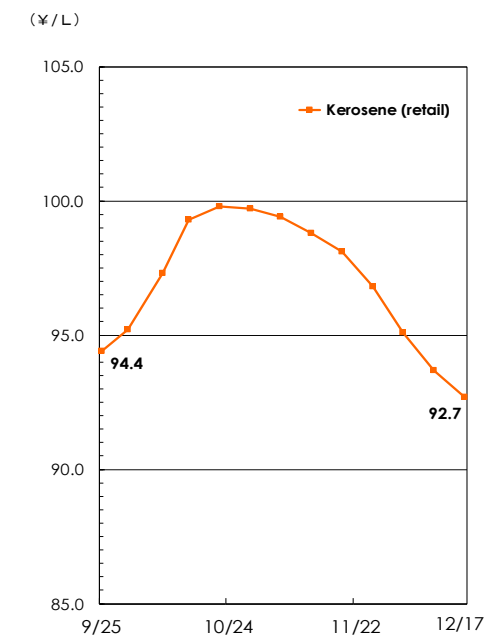
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	12/9 ~ 12/15	769 ▼ -160	▼ —	
	Imports	"	n.a.	n.a.	
	Shipments	"	562 ▼ -210	▼ —	
	Exports	"	329 ▲ 164	▲ —	
	Inventories	12/15	1,636 ▼ -122	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/11 ~ 12/17	60.6 ▼ -0.6	▲ 2.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/11 ~ 12/17	62.1 ▼ -0.6	▲ 4.1
		(TOCOM/ Chubu)	12/17	—	—
	Retail prices [weekly trend] (published by ANRE)	12/17	128.3 ▼ -1.2	▲ 8.8	

\*Gyoten and futures prices are before tax



(Unit: 1,000 kl, yen/l)

Kerosene		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	12/9 ~ 12/15	292 ▲ 4	▼ —	
	Imports	"	n.a.	n.a.	
	Shipments	"	483 ▲ 178	▼ —	
	Exports	"	0 ➡ 0	➡ —	
	Inventories	12/15	2,614 ▼ -191	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/11 ~ 12/17	59.1 ▼ -0.8	▼ -1.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/11 ~ 12/17	58.2 ▼ -0.2	▼ -1.9
		(TOCOM/ Chubu)	12/17	60.2 ▲ 1.2	▼ -0.5
	Retail prices [weekly trend] (published by ANRE)	12/17	92.7 ▼ -1.0	▲ 8.5	



## Relevant Information

### 1 Overseas crude oil prices

On December 19, the most frequently traded crude oil futures contract on NYMEX rebounded for the first time in four trading days as buying came on weekly falls in U.S. crude oil and middle distillates inventories as reported by the EIA, with the dollar's depreciation against the euro making crude oil futures prices relatively lower. The EIA reported that crude oil inventories fell for the second straight week with a decline of 0.5 million barrels, slower than a market-forecast drop of 2.4 million barrels, while middle distillates inventories posted a decrease of 4.2 million barrels, far faster than a market-forecast decline of 0.6 million barrels. The January contract gained \$0.96/bbl to \$47.20/bbl. The February contract rose by \$1.57/bbl to \$48.17/bbl.

According to the EIA, the average U.S. retail price of gasoline as of December 17 fell by 5.2 cents per gallon from a week earlier to \$2.369/gal (71.5 yen/l). The average diesel oil price decreased by 4.0 cents/gal to \$3.121/gal (94.2 yen/l). The gasoline price dropped for the 10th straight week, while the diesel price fell for the ninth consecutive week.

### 2 Petroleum products supply and demand in Japan (1) Shipments

According to a weekly report by the PAJ (Petroleum Association of Japan), inactive topper capacity in the December 9-15 week stood at almost zero, unchanged from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week decreased by 57,000 kl from the previous week to 3,530,000 kl. From a year earlier, it declined by 234,000 kl. The topper capacity utilization rate stood at 90.1%, down 1.5 points from the previous week and down 6.0 points from a year earlier.

Production increased from the previous week for gasoline, jet fuel and kerosene and decreased for other petroleum products. Output was up 3.3% for gasoline, up 29.2% for jet fuel, up 1.5% for kerosene, down 17.3% for diesel oil, down 0.0% for Fuel Oil A and down 14.1% for Fuel Oil C. Fuel Oil C imports in the week totaled 48,000 kl, up 11,000 kl from the previous week. Diesel oil exports aggregated 329,000 kl, up 164,000 kl.

Shipments (excluding imports) in the week increased from the previous week for kerosene and Fuel Oil A and decreased for other petroleum products. From a year earlier, shipments increased for Fuel Oil A and decreased for others. Gasoline shipments decreased by 2.9% from the previous week to 899,000 kl for the first fall in two weeks, remaining below 1 million kl for 15 weeks on end. Shipments totaled 44,000 kl for jet fuel (down 37.1% from the previous week), 483,000 kl for

kerosene (up 58.4%), 562,000 kl for diesel oil (down 27.2%), 273,000 kl for Fuel Oil A (up 5.8%) and 157,000 kl for Fuel Oil C (down 18.3%).

	(Unit: 1,000 kl)		
	This week (12/9 ~ 12/15)	Previous week (12/2 ~ 12/8)	From a week earlier
Gasoline	899	926	▼ -27 (-3%)
Jet fuel	44	70	▼ -26 (-37%)
Kerosene (heating Oil)	483	305	▲ 178 (58%)
Diesel oil	562	772	▼ -210 (-27%)
Fuel oil A	273	258	▲ 15 (6%)
Fuel Oil C	157	192	▼ -35 (-18%)
<b>Total</b>	<b>2,418</b>	<b>2,523</b>	<b>▼ -105 (-4%)</b>

This week's shipments = (Previous weekend inventories + This week's production + This week's imports) - (This week's exports + This weekend inventories)

### 2 Petroleum products supply and demand in Japan (2) Inventories

Inventories as of December 15 increased from a week earlier for jet fuel and Fuel Oil C and decreased for other petroleum products. From a year earlier, inventories decreased for gasoline and increased for others.

Gasoline inventories totaled 1,652,000 kl, down 43,000 kl from a week earlier and down 26,000 kl from a year earlier.

Kerosene inventories totaled 2,614,000 kl, down 191,000 kl from a week earlier and up 223,000 kl from a year earlier.

Diesel oil inventories totaled 1,636,000 kl, down 122,000 kl from a week earlier and up 224,000 kl from a year earlier.

Fuel Oil A inventories totaled 842,000 kl, down 25,000 kl from a week earlier and up 176,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,019,000 kl, up 33,000 kl from a week earlier and up 52,000 kl from a year earlier.

	(Unit: 1,000 kl)		
	This week (12/15)	Previous week (12/8)	From a week earlier
Gasoline	1,652	1,695	▼ -43 (-3%)
Jet fuel	1,044	1,031	▲ 13 (1%)
Kerosene (heating Oil)	2,614	2,805	▼ -191 (-7%)
Diesel oil	1,636	1,758	▼ -122 (-7%)
Fuel oil A	842	867	▼ -25 (-3%)
Fuel Oil C	2,019	1,986	▲ 33 (2%)
<b>Total</b>	<b>9,807</b>	<b>10,142</b>	<b>▼ -335 (-3.3%)</b>

### 3 Petroleum products wholesale prices in Japan (1) Wholesale price revision trend

In the December 11-17 week, crude oil cost apparently leveled off from the previous week as slight crude oil price falls were offset by the yen's depreciation against the dollar.

Onshore cargo spot prices in the week fell moderately in a 110-111 yen/l range for gasoline and in a 60-61 yen/l range for diesel oil and moved in a 59-60 yen/l range for kerosene.

Offshore barge spot prices in the week fell slightly and leveled off in a 110-112 yen/l range for gasoline, rose in a 62-63 yen/l range for diesel oil, and fluctuated and dropped in a 57-58 yen/l range for kerosene.

The key futures price in the week rose and moved little in a 106-108 yen/l range for gasoline, increased in a 61-63 yen/l range for diesel oil, and rose and fell back slightly in a 57-59 yen/l range for kerosene.

Major Motouri companies left wholesale prices unchanged or cut them by 0.5 yen/l for gasoline, diesel oil and kerosene.

### 3 Petroleum products wholesale prices in Japan (2) Spot (Gyoten) and futures price trend

Excluding gasoline futures prices and offshore barge prices for kerosene, spot petroleum products prices declined.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the December 11-17 week) that influences Motouri's wholesale prices applied to the fourth week of December (December 20-26) dropped by 1.1 yen/l for gasoline, by 0.8 yen/l for kerosene and by 0.6 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 1.7 yen/l for gasoline, by 0.6 yen/l for kerosene and by 0.5 yen/l for diesel oil.

The key futures price rose by 0.5 yen/l for gasoline, fell by 0.2 yen/l for kerosene and decreased by 0.6 yen/l for diesel oil.

Crude oil cost fell although crude oil price falls were partially offset by the yen's depreciation against the dollar.

For the fourth week of December, major Motouri companies left their wholesale prices unchanged or cut them by 0.5 yen/l for gasoline, diesel oil and kerosene. Motouri based wholesale price revisions on crude oil and petroleum products market prices and each other's prices from 2010 and have adopted an approach giving greater priority to crude oil acquisition cost since June 2014.

(RIM) [4-district average lorry rack price]		This week (12/11 ~ 12/17)	Previous week (12/4 ~ 12/10)	(Unit: yen/l) From a week earlier
Spot Prices	Regular	56.7	57.8	▼ -1.1
	Kerosene	59.1	59.9	▼ -0.8
	Diesel oil	60.6	61.2	▼ -0.6

(TOCOM) [Front-month contract/closing price] [Average]		This week (12/11 ~ 12/17)	Previous week (12/4 ~ 12/10)	(Unit: yen/l) From a week earlier
Futures Price	Regular	53.6	53.1	▲ 0.5
	Kerosene	58.2	58.4	▼ -0.2
	Diesel oil	62.1	62.7	▼ -0.6

Above prices are before tax.

Reference (December 11 - December 17 actual data)			
Products	Spot	Futures	Average
Gasoline	▼ -1.1	▲ 0.5	▼ -0.3
Kerosene	▼ -0.8	▼ -0.2	▼ -0.5
Diesel oil	▼ -0.6	▼ -0.6	▼ -0.6
Fuel Oil A	▼ -0.7		

(Source) Spot: RIM 4-district average lorry rack price (Chiba, Kawasaki, Chukyo, Hanshin)  
Futures: TOCOM average offshore barge spot price for Keihin District

### 4 Retail prices of petroleum products in Japan

The average retail service station price as of December 17 dropped by 1.4 yen/l from a week earlier to 147.9 yen/l for gasoline, by 1.2 yen/l to 128.3 yen/l for diesel oil and by 1.0 yen/l to 92.7 yen/l for kerosene (on an 18-liter tank basis, the kerosene price decreased by 19 yen to 1,668 yen). These prices fell for the eighth straight week. Gasoline prices fell in all of Japan's 47 prefectures for the fourth straight week. The lowest gasoline price among the prefectures was 141.9 yen/l in Aichi Prefecture (down 1.1 yen/l from a week earlier). The second lowest was 142.3 yen/l in Saitama (down 1.6 yen/l). The highest price was 162.3 yen/l in Nagasaki (down 1.9 yen/l). Logging the sharpest price cut of 2.7 yen/l was Toyama (145.0 yen/l).

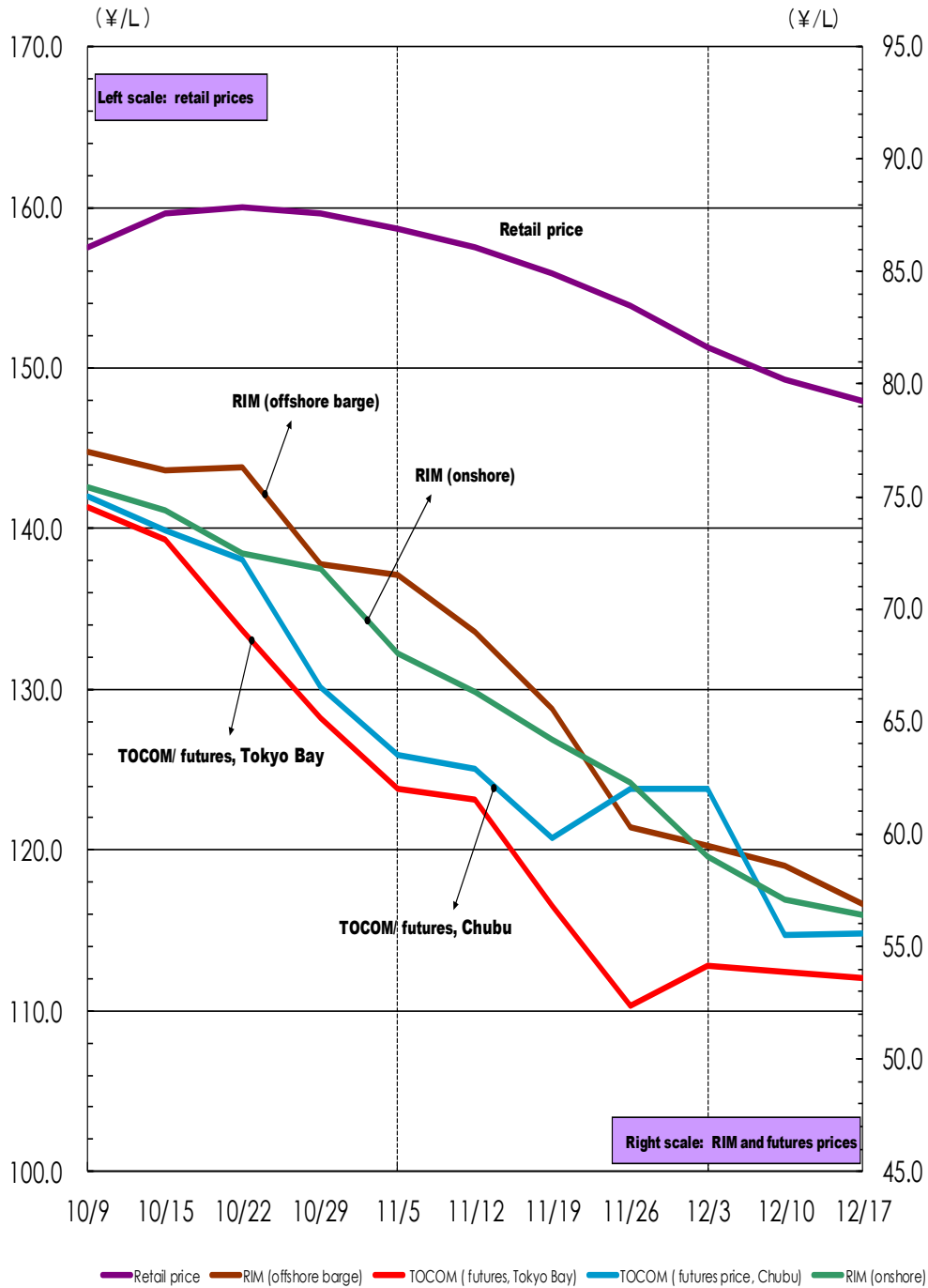
As crude oil cost declined last week, major Motouri companies left wholesale prices unchanged or cut them by 0.5 yen/l from the previous week for gasoline, diesel oil and kerosene. Crude oil cost fell this week although slight crude oil price falls were partially offset by the yen's depreciation against the dollar. Retail gasoline and kerosene prices are expected to fall next week (as of December 25).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (12/17)	Previous week (12/10)	From a week earlier	Latest high
Retail Price	Regular	147.9	149.3	▼ -1.4	08/8/4 185.1
	Kerosene	92.7	93.7	▼ -1.0	08/8/11 132.1
	Diesel oil	128.3	129.5	▼ -1.2	08/8/4 167.4

Nationwide average cash retail price  
(including consumption tax)  
Since April 2007, 2,000 service stations  
have been covered.  
Latest highs are highest levels since  
October 2003.

# Gasoline price trend

(2018/10/9 ~ 2018/12/17)



(Note) ① Retail price includes consumption Tax, RIM, TOCOM prices are before tax.  
 ② RIM (onshore) is the average of four district .

## Announcement

This report is available at the center's website (<https://eneken.ieej.or.jp/en/>).  
The next issue (No. 37 for 2018) will be announced at 14:00 on January 11.

## On use of this report

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## Weekly Oil Market Review

In an interim report compiled in May 2004 by a petroleum products market trend study panel sponsored by the Petroleum Distribution and Retail Division of the Natural Resources and Fuel Department at the Agency for Natural Resources and Energy, the panel stated, "We hope that the Japanese oil industry will solidify its market and price-finding functions and that the oil industry as a mainstay industry in Japan will further enhance its rationality and vitality over a medium term as industry people deepen their understanding of the need for rational price recognition based on market and price-finding functions to be established in the oil industry and for business decisions based on recognition under the principle of self-responsibility."

In response to the report, this Center has published the Weekly Oil Market Review as a tool for oil-related people, business administrators (particularly service station managers) and ordinary consumers to accurately understand crude oil and petroleum products supply and demand and price trends, in cooperation with relevant organizations such as the Petroleum Association of Japan and the Zensekiren (Japan's Dealers Association) since May 2005.

## Sources of data provided in this report

### ① [Crude oil and petroleum products supply and demand] (weekly PAJ report)

Data in weekly statistics on crude oil and petroleum product supply by the Petroleum Association of Japan are calculated in terms of 1,000 kiloliters. Shipments are estimated by this Center.

### ② [Crude oil and futures prices] (WTI crude and Middle Eastern crude)

For the WTI crude, the front-month WTI crude futures contract's daily closing price on the New York Mercantile Exchange (NYMEX) is adopted.

For the Middle Eastern crude, the front-month Middle Eastern crude futures contract's closing price on the Tokyo Commodity Exchange (TOCOM) is adopted. \* "Second-month (next-month) contract"

Underlying the Middle Eastern crude price is the average price for the Dubai and Oman crude oil. The telegraphic transfer middle rate (TTM) released by the Bank of Tokyo-Mitsubishi UFJ is adopted as the foreign exchange rate.

The crude oil import CIF price is a dollar-denominated reference price estimated by the PAJ based on the average crude oil price (on a 10-day basis) in the Ministry of Finance trade statistics.

### ③ [Motouri wholesale prices of petroleum products in Japan]

Motouri wholesale prices are prices for transactions between Motouri petroleum products wholesalers (primary wholesalers) and their affiliates (secondary wholesalers).

Motouri companies modified their new pricing system in April 2010 to decide specific policies in comprehensive consideration of crude oil and petroleum products market prices, each other's prices and other data. In June 2014, they modified the system further to give greater priority to crude oil cost.

### ④ [Gyoten spot prices of petroleum products in Japan] (RIM gyoten)

Onshore cargo spot prices are the average onshore lorry rack prices for the four districts of Tokyo, Kawasaki, Chukyo and Hanshin in the Lorry Rack Report of RIM Intelligence Co.

### ⑤ [Futures prices of petroleum products in Japan] (TOCOM)

Front-month petroleum products futures contracts' daily closing prices for TOCOM Tokyo Bay and Chubu are adopted.

TOCOM Tokyo Bay prices are the average offshore barge prices for the Keihin district. TOCOM Chubu prices are the average lorry rack prices in the Chubu district.

### ⑥ [Retail prices of petroleum products in Japan] (Weekly trend survey)

Average cash retail prices at some 2,000 service stations subject to a weekly nationwide survey are adopted (as released by the Agency for Natural Resources and Energy). The survey covers prices on Monday and is released at 14:00 on Wednesday (available on the website of the Agency for Natural Resources and Energy).